

## **THE INFLUENCE OF PERSONNEL MANAGEMENT ON THE FIRM CULTURE**

I. DLUGOŠ<sup>1</sup>

*<sup>1</sup> Makyta, akciová spoločnosť Púchov*

**ABSTRACT:** The present period of economy is characterized by fast structural and economic changes, development in technologies, continuously changing market and by national and international competition which is growing stronger and stronger. The prosperity of enterprise (legal entity) is more and more dependent on the development of highly qualified labourforce (labour), which is becoming a key competition factor of productivity and economic effectiveness of the enterprise – company.

The task of personnel management in the most general conception is to support the efficiency of the organization and to help improve its performance. This task can be ensured only by constant improvement and exploitation of all resources the organization has at disposal, it is material, financial, information and first of all human resources.

The culture of the firm within organization can be strong or weak. Strong culture means that the majority of employees understand the firm objectives and priorities, follow them and accept them. Strong culture is an advantage for performance and internal perception of the firm. Weak culture, reflected in obscurity, misunderstanding of firm's targets and values, often changes of principles, decisions, causes conflicts, confusions and low efficiency.

**KEY WORDS:** Personnel management, efficiency, competitiveness, culture of company, weak culture, strong culture, human resources, personnel potential, information resources, work analysis, management of working performance, evaluation of employees, motivation, motivating management, rewarding of employees, managing the people

### **1 INTRODUCTION**

There are certain organizations, firms (further on only companies), which have built a reputation of an employer, for whom it is worth working. These companies are sought after, which is an enviable status in today's economy of struggle for capable employees and their affection towards them.

All companies exist in a complicated and dynamic environment. It is obvious that each company filters data so that they correspond with their own abilities and interests of the management of each company. Among such filters belong cognitive processes of individual managers, culture and general interests of the company, further group and team factors and strategic orientation of the company.

The resources influencing the culture of the company are its basic documents in which mission, visions and objectives of the company determining its direction are formulated. Of course, commercial, financial or personnel processes, e.g. processes of rewarding, employees' evaluation, managing the performance, managing the employees, mechanisms of feedback concerning the performance and corrective mechanisms also form further resources for forming the company's culture.

The decisions of the managers, quality of their mutual relations and the standard of their communication with colleagues or subordinates, the way of communication in teams, quality of communication on general firmwide level, relation to clients, difference between what they communicate and what they do, give unambiguous signals to others for forming their attitudes,

communication, motivation, evaluation of expected and succesfull behaviour and adapting to these signals.

Healthy culture of the company built on a clear vision and strategy, consistently communicated priorities and values, in which the work positions are connected with transparent measurement of indicators given in advance and coming out of general priorities, help people identify themselves with company's objectives, see their own contribution and sense of their own work.

If the company, which the high quality people leave because of frustrating environment has a problem to gain top experts, or has a problem with the approach of its employees to clients or to own performance and if such a company wants to change this situation, then it is inevitable to revalue its culture and try to change it.

**2 THE IMPORTANCE OF HUMAN RESOURCES IN OPERATING OF COMPANY**

The present economy based on free market principles brings turbulent competitive environment, which all subjects operating on the market must face. Only companies making an effective use of their resources have a chance to survive in this hard struggle and at the same time to develop. Among resources which companies accumulate, combine and use belong following:

- material resources – machines, equipment, buildings, raw materials and energy,
- financial resources,
- information resources,
- human resources.

Constant accumulation, combination an exploitation of these resources is an important task of enterprise managing. The company can successfully compete and develop only if it is able to exploit effective and efficiently its resources. „Effective“ means that the company produces goods and services which the company and first of all clients – purchasers find necessary and which they accept. „Efficient“ means exploitation of minimal part of resources which are necessary for securing the production of goods and services. The company achieves improvement of its production on the basis of effective and efficient exploitation of resources.

No matter how good the ideas, conceptions , projects of rational manufacturing logistics are, they need not have a chance to be successful, unless the human factor accepts them – which is more probable in strong culture and that's why it is necessary to make an effort to achieve it.

Productivity	=	$\frac{\text{output values}}{\text{input values}}$	=	$\frac{\text{goods and services}}{\text{people, capital, material, energy, information}}$
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**Figure 1** Relation between output and input values of the company - productivity

Productivity is growing if the company is able to find new methods of how to use as few input values – resources as possible during production of its output values – goods and services. . The rise in productivity is a necessity for a long-term success of the company. Through productivity rise the managers can reduce costs, save limited resources and increase profit. In the sight of corporal economy the basic motive of business enterprise is the effort to make a profit, which is to achieve surplus of revenues over costs. [1]

The increased profit enables the company to offer higher wages, social benefits and to improve working conditions. The result can be a higher quality of working life of the employees which motivates them to increase productivity. Motivation is in direct context with historically given system of future and currently built new firm culture in which the managers realize the importance of their own behaviour, decision making, way of communication at a given stage and their ability to inspire and motivate others.

„Our people are our most important asset“ Many companies use this or similar mottoes to emphasize how important the human resources are for their success. Those companies also know that

all managers must be engaged in activities belonging to managing human resources, even in big companies which have specialized departments for this sphere.

Many scientific researches have proved that human resources in the company are an important source of competitive advantage.

Utilizing human resources as a means of competitive advantage needs a change in managers' viewing the employees and the working relations. This change means to work with people as with partners and not to look at them as potential costs which must be minimalized or even eliminated. [2]

In a simplified form, the basic aim of personnel work can be characterized as an active and purposeful support of carrying out the main goal of the company. First of all it is the „personnel potential“ given by capabilities, intellect, forecasting degree, adaptability faculty and motivation level, it is the degree of willingness to use one's capabilities in required intensity for realization of changes necessary for reaching the aims of the company. Considering the increasing demands of more and more shifting environment in globalized world, the contents and function of the so called „human capital“ are characterized as a crucial factor of the success.

Superior, flexibly answering and efficient human capital of the company is the result of a long-term , aim-oriented access and forming it requires application of strategic (long-term) principles in the process of forming it.[1]

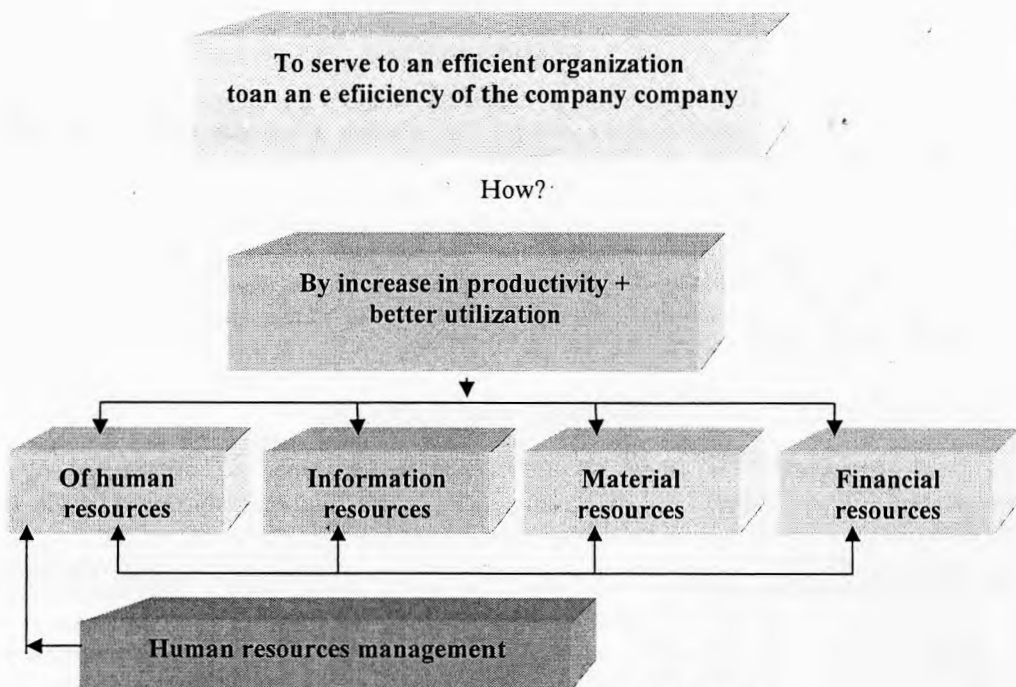
Human resources managing presents:

- human resources planning,
- recruitment of personnel,
- choice of personnel,
- introducing of employee to the working place,
- personnel training,
- managing of employees' performance,
- rewarding and evaluation of employees,
- career growth of employees,
- firing.

## **2.1 Definig and tasks in human resources management**

Human resources management includes forming and effective utilization of capabilities, possibilities and art of leading employees to lead, direct and motivate the employees managed by them. This includes not only fulfilling the given tasks but also further activities which ensure the prosperity of the company. Here belong employees' activity, initiative and creative realizing of the aims of their work.

Increased concentration on human resources management can lead to much better economic results ( quantity and quality of goods and services) in one company than in another , although both have the same conditions for business enterprise – the same number of employees, capital and the same machine equipment and technology.



**Figure 2** General task of human resources management

Human resources management characteristics and differences from personnel management are as follows:

- Strategic approach to personnel work and to all personnel activities ( building long-term perspective),
- Orientation on external factors of forming and operating the manpower of the company,
- Personnel work stops to be the task of specialized personnel workers and is becoming a part of every day work of all leaders (personnel department plays more and more a conceptual, methodological, consultative, organizing and supervising role),
- Narrow interface of personnel work with strategies and plans of the company,
- Personnel work is becoming a backbone, the most important part of company management, central management role,
- Heads of personnel departments are a part of the closest company management,
- Great emphasis is put on human resources development as a means of flexibility of organization,
- Orientation on the quality of working life and satisfaction of employees,
- Emphasis on forming desirable organization culture and healthy working relations,
- Forming a good employer's reputation of the company.

### 2.1.1 Diagnostic model of human resources management

Strategic human resources management is a practical result of personnel strategy of the company. It is a concrete activity, concrete effort focusing on achieving the aims of personnel strategy. Strategic (long-term) personnel planning is a tool of Strategic human resources management.

Diagnostic model includes four phases:

- 1st phase: evaluation of conditions in the sphere of human resources management,
- 2nd phase: setting targets derived from this evaluation,
- 3rd phase: choice of steps from a chain of alternatives for achieving the aim,

4th phase: evaluation of results.

### 3 WORK ANALYSIS

Analysis of working place is a process of collecting, analysis and classifying of the information and workload with the aim to make a basis for working place description and employee's specification, which means the base for recruitment, training of the employees, for work and work performance evaluation. [3]

The analysis of working place is an essential activity of personnel management because it gives a picture of every work, of discovered activities and adequate conditions for their realization in a certain working place. This helps to gain an image of the employee who should work in this place. The analysis of work is a determining basis for the process of forming new working places or for changing the existing ones.

#### 3.1 Process of work analysis

Through simplified view on the process of work analysis 3 basic phases can be formed:

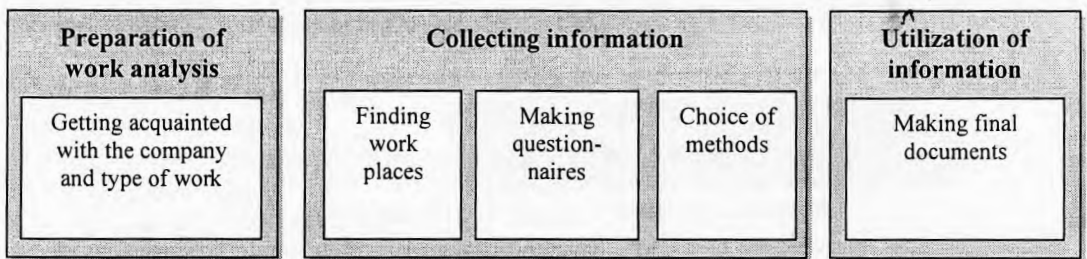


Figure 3 Work analysis phases

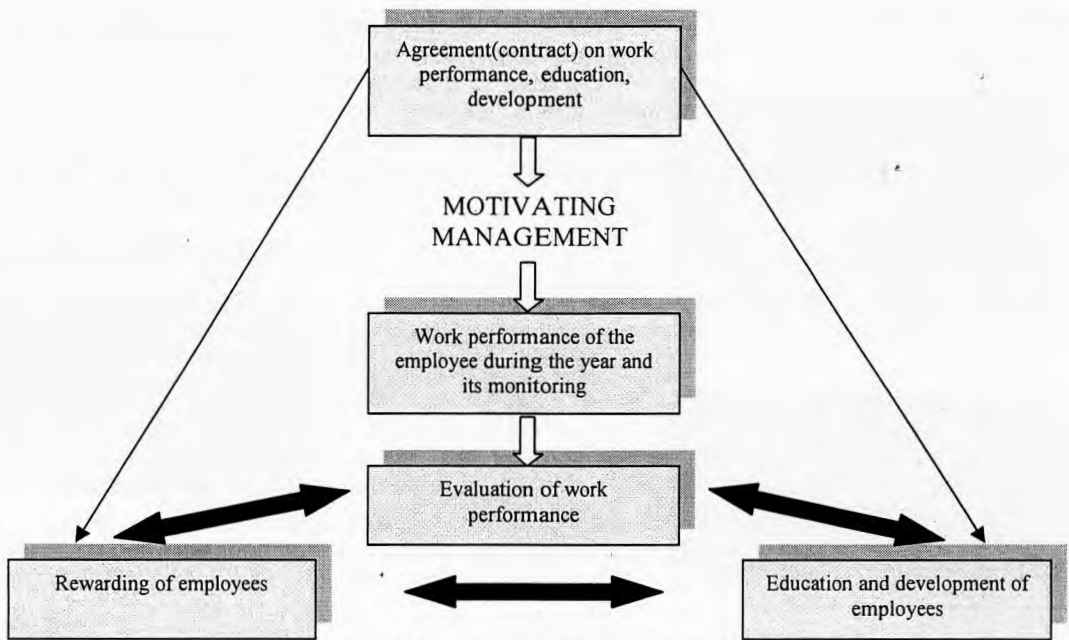
### 4 WORK PERFORMANCE MANAGEMENT AND EVALUATION OF EMPLOYEES

The performance of employees has always been the main sense of personnel work. It is understandable as the companies hire their employees so as they perform well and realize the company aims. Traditional approach towards achieving a desirable performance is marked by directive methods and responds to a directive type of management. The evaluation is then based on how the employee realizes the given duties .

Modern human resources management emphasizes the necessity to create working tasks and places according to capabilities and preferences of each employee. This principle is a basis of a new approach to work performance and its evaluation, to the so called work performance management.

Work performance management integrates the improvement of individual performance based on agreement , the performance of the company , development of working capabilities of employees and their adapting to company values. This must be in concordance with evaluation management and with development of management effectivity through attitudes of leading employees – managers. It is important to keep in mind that individual agreements or contracts must be reflected in rewarding of individual employees and that the managers must be persuaded about the necessity to change their attitude to leaders and they must believe in the effectivity of the new attitude.





**Figure 4** Work performance management

The scheme of performance evaluation shows that agreement (contract) on work performance and desirable education and development of employees are reflected in the pay for agreed performance and in the sphere of education and further development of employees in the company, where it is necessary to ensure that the employee can really master needed and agreed capabilities and knowledge.

The direct superior of evaluated employee plays the key role at all forms of evaluation.

Evaluation can be preferentially focused on the results of work or on working and social behaviour of employees. Capabilities and characteristics of a personality are usually additional criteria of evaluation.

In case of the results of one's work, factors as quantity, quality, timeliness, costs -all measurable and objectively ascertainable data are to be taken into consideration.

In case of the employee's behaviour, characteristics as initiative, deliberation, criticism, ability to lead, make decisions, discipline, qualification, quality of work, willingness to cooperate, behaviour in public, effort to save material and equipment, art to talk to people and others are to be taken into consideration. There will certainly be some problems with measurement and reliability.

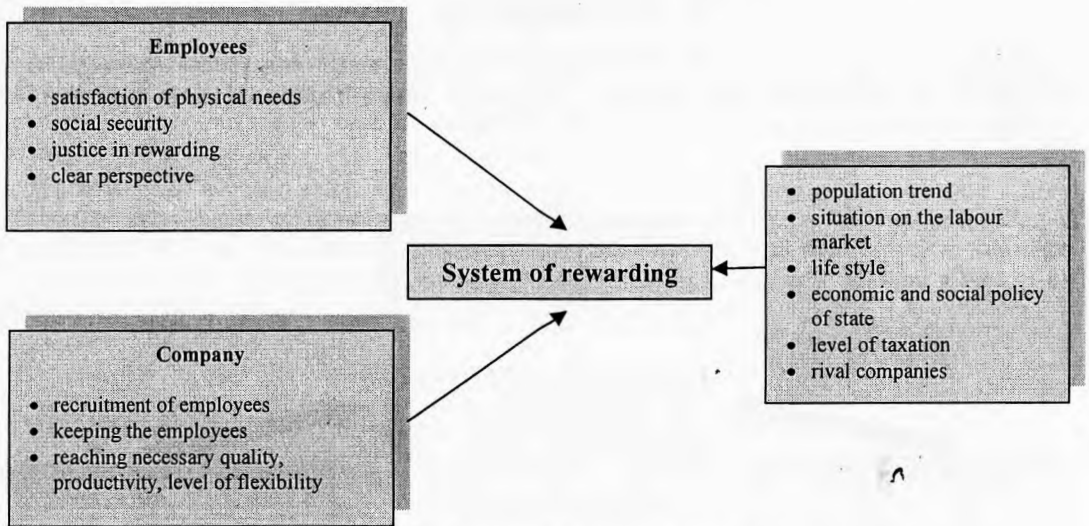
## 5 REWARDING OF EMPLOYEES

Rewarding is a process which is closely connected with motivating and stimulating systems. It is a summary of activities connected with evaluation of work.

The company needs to reach a tenderable productivity, required quality of production, keep the employee, create a competitive advantage for gaining employees, reach the necessary level of creativity and flexibility, it means the company needs to form and develop such manpower which could be able to realize the company objectives. On the other hand the employees want to satisfy their needs, they need a certain social security, clear perspective, possibility of selfrealization, good relations at work, life stability, fair rewarding and work which satisfies them. The mutual relation employee – company is formed by internal factors.

External factors influence the system of rewarding as well. Here belong life style, population trend, situation on labour market, professionally- qualification structure of human resources,

economic and social policy of the government, standard of rewarding in rival companies, in town, region, state.



**Figure 5** Internal and external factors of rewarding system

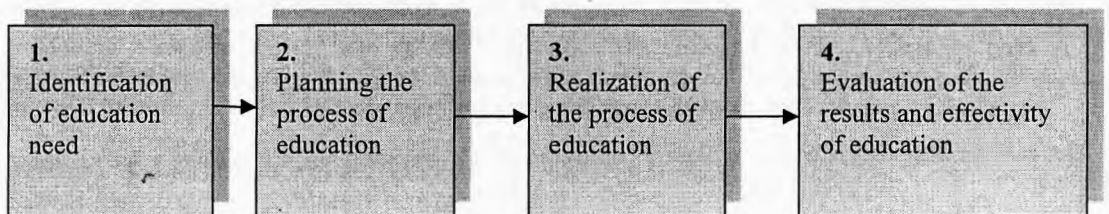
## 6 EDUCATION OF EMPLOYEES

Education is a systematic process of change in labour behaviour, level of knowledge and motivation of employees which helps to reduce the difference between their characteristic and demands put on employees.

Demands on knowledge and capabilities of man in a global society change very often and if the man wants to exist as labour force and to be able to find a job, he must improve , deepen and extend his knowledge.

Education and forming the labour capabilities are becoming a life – long process in a modern society. Through purposely aimed training and education of employees it is possible to achieve their better fellowship with the company and its values. [4]

When setting the goals of education, the level of knowledge of individual employees , their capabilities and skills are taken into consideration. [5]



**Figure 6** Course of process of education

## 7 PEOPLE LEADERSHIP

Leadership is a competency by the help of which the person is persuading others to try to realize given objectives and to do so with enthusiasm. Leadership is a part of management. It is a human factor which puts a group of people together and motivates them to achieving the aim. Leadership can also be defined as a process in which one person tries to influence other persons.

How can the superior influence subordinates or work teams? The answer is that an inevitable background of leadership is authority, respectively powers. Authority is an ability of individuals or teams to change or influence the opinions or behaviour of people. There are numerous bases of authority which can originate in legitimate power, professionalism, confidence, possibility of rewarding, etc. One type of authority is powers, which represents the right resulting from the functional position in the organization structure, it is the right of the person to make decisions, and on this basis to influence subordinates.

### 7.1 Position of leader

Leader (head) is a basic link of managing system not only as the one who realizes but also as a part of social environment of labour team.

The leader has an unchangeable function in forming social atmosphere, interpersonal relations and by his behaviour, acting and approach to his subordinates he influences their attitudes and satisfaction with job. His position is connected also with authority and prestige which are not the qualities of personality but the result of their interaction.

Optimal position of leader contributes a lot to fulfilling the significant condition of a successful performance of managing work and it is the necessity that the leader not only knows how and wants but is also able to make decisions and lead.

## 8 FIRM CULTURE

Firm culture presents in its essence system of common values and convictions of all members of company which fundamentally determines their behaviour. [2]

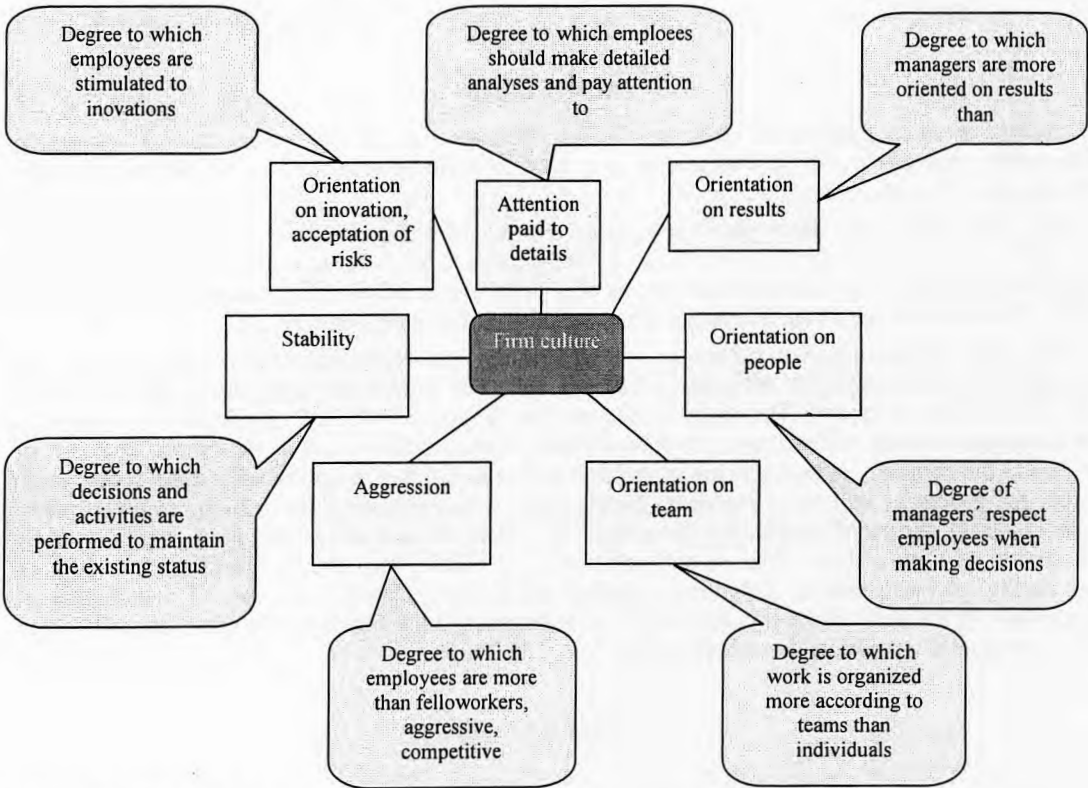


Figure 7 Firm culture dimensions



## 8.1 Diagnostics of firm culture

There is a clear evidence that the increasing number of companies must pay attention to cultural questions and that the success or unsuccess of their efforts can be of great importance for the whole effectivity of the company. [6]

Firm culture can be strong or weak. Culture is strong if the majority of employees understand to objectives and priorities of the company, follow them and accept them. Strong culture is an advantage for performance and inner perception of the company. Weak culture which is characterized by obscurity, misunderstanding of objectives and values, often changes of principles, decisions, creates conflicts, confusion and low performance in the company.

To determine the culture of the firm there are some criteria published in „Quality Management and Product certification“ They are following:

- official objectives of the company (what aims the company presents in public, how these aims, declarations in public are reflected in the society, how they are kept to, what attention is paid to them.),
- internal organization directives (Internal directives describing proceedings for managing human resources – definition of responsibility, competencies,- these should belong to obvious documents),
- behaviour and opinions of employees (How they see the company outwardly, what is their opinion of top management, of human resources management, what they say about the company in public, if they are satisfied with managing, if there exists a sort of „favouritism and politicking“ in the company, if rewarding is fair.),
- informal relations inside the company,
- traditionalized stories (Every company has its history which is presented in public, each company publishes its successful decisions which have a positive influence on employees and public.).

## 9 CONCLUSION

Culture is an expression of elementary values. Managers often feel that culture is unhealthy, undesirable, and that it should change. But it is hard to define culture and so the desirable change finishes as an unrealizable wish. [7]

But you surely can create sensible models which make it possible to measure „input“ and „output“ variables when forming firm culture. The models should aim at those „inputs“ which have the closest relation to performances of people and so to performance of all company (organization, firm). The models should help us manage the process of forming firm culture.

The model of forming firm culture should reasonably link vision and values of the company, its strategic aims with managers activities. Managers are a key gear lever in the company at realizing any results of the company. The same holds good for the result called „firm culture“. The appeal of the managers to their subordinates must then ensure a measurable result at the client. The task of leaders in the company is to see to managers' development in this way and to offer them proper tools within the processes of human resources management – as evaluating, motivating, communicative tools, tools for choice of people, for education. The effect of such steps must be then evaluated by measurements asking about opinions and satisfaction of clients, measurements of trading results, of the quality of performance, functional relations of internal clients, and also of satisfaction of employees. In the scale of these measurements it is necessary to define precisely the indicators which will be evaluated as expression of firm culture.

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